

VILLAGE OF TEKONSHA
Calhoun County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended February 29, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Tekonsha	County Calhoun
Fiscal Year End February 29, 2008	Opinion Date May 5, 2008	Date Audit Report Submitted to State June 4, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

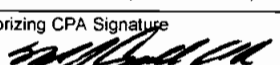
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 		Printed Name Mark J. Campbell	License Number 1101007803

VILLAGE OF TEKONSHA
Calhoun County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 5, 2008

To the Village Council
Village of Tekonsha
Calhoun County, Michigan

We have audited the accompanying financial statements of the governmental activities, business type activities and each major fund of Village of Tekonsha, Calhoun County, Michigan as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Tekonsha's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the Village of Tekonsha, Calhoun County, Michigan as of February 29, 2008, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 5, 2008, on our consideration of the Village of Tekonsha's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

VILLAGE OF TEKONSHA
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended February 29, 2008

The Management's Discussion and Analysis report of the Village of Tekonsha covers the Village's financial performance during the year ended February 29, 2008.

FINANCIAL HIGHLIGHTS

Our financial status has improved over the last year. Net assets at February 29, 2008, totaled \$532,865.44 for governmental activities and \$2,589,461.40 for business-type activities. Overall total capital assets remained approximately the same.

Overall revenues were \$376,681.45 from governmental activities and \$284,081.54 from business-type activities. Governmental activities had a \$35,768.69 increase in net assets and business-type activities had a \$92,807.88 decrease in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole using accounting methods used by private companies. The statement of net assets includes all of the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

All of the activities of the Village are reported as governmental activities and business-type activities. These include the General Fund, Local and Major Street Funds, Building Fund, Industrial Park Fund, and Water and Sewer Funds.

VILLAGE OF TEKONSHA
Calhoun County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended February 29, 2008

	Governmental Activities 2007	Governmental Activities 2008	Business-type Activities 2007	Business-type Activities 2008	Total 2007	Total 2008
Current Assets	241 524	156 450	323 370	360 538	564 894	516 988
Capital Assets	457 091	496 894	4 306 959	4 168 732	4 764 050	4 665 626
Total Assets	698 615	653 344	4 630 329	4 529 270	5 328 944	5 182 614
Current Liabilities	11 882	(7 316)	(3 940)	14 809	7 942	7 493
Non-current Liabilities	189 636	127 794	1 952 000	1 925 000	2 141 636	2 052 794
Total Liabilities	201 518	120 478	1 948 060	1 939 809	2 149 578	2 060 287
Net Assets:						
Invested in Capital Assets	267 456	369 100	2 354 959	2 228 502	2 622 415	2 597 602
Restricted	-	-	122 957	125 687	122 957	125 687
Unrestricted	229 641	163 766	204 353	235 272	433 994	399 038
Total Net Assets	497 097	532 866	2 682 269	2 589 461	3 179 366	3 122 327
	Governmental Activities 2007	Governmental Activities 2008	Business-type Activities 2007	Business-type Activities 2008	Total 2007	Total 2008
Program Revenues:						
Fees and Charges for Services	76 708	61 914	262 784	280 827	339 492	342 741
General Revenues:						
Property Taxes	178 778	164 439	-	-	178 778	164 439
State Revenue Sharing	151 485	150 454	-	-	151 485	150 454
Interest	1 986	2 085	2 895	3 254	4 881	5 339
Miscellaneous	10 343	16 822	-	-	10 343	16 822
Total Revenues	419 300	395 714	265 679	284 081	684 979	679 795
Program Expenses:						
Legislative	14 926	14 736	-	-	14 926	14 736
General Government	76 409	78 257	-	-	76 409	78 257
Public Safety	125 224	66 523	-	-	125 224	66 523
Public Works	135 452	183 324	379 904	376 889	515 356	560 213
Recreation and Culture	8 907	10 895	-	-	8 907	10 895
Interest on Long-Term Debt	5 693	6 210	-	-	5 693	6 210
Total Expenses	366 611	359 945	379 904	376 889	746 515	736 834
Increase in Net Assets Before Transfers	52 689	35 769	(114 225)	(92 808)	(61 536)	(57 039)
Transfers	(27 650)	-	-	-	(27 650)	-
Increase in Net Assets	25 039	35 769	(114 225)	(92 808)	(89 186)	(57 039)
Net Assets, March 1	472 058	497 097	2 796 494	2 682 269	3 268 552	3 179 366
Net Assets, February 29	497 097	532 866	2 682 269	2 589 461	3 179 366	3 122 327

VILLAGE OF TEKONSHA
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended February 29, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Village has the following types of funds:

Governmental Funds: Some of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include the General Fund, Building Fund, Major and Local Street Funds, and the Industrial Park Fund.

Business Type Funds: The Village has Water and Sewer Funds, which include the activity of providing water and wastewater removal service to the Village residents.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

We continue to repay our USDA loan principal at \$27,000.00 this year. Our original 40 year loan was taken out in 1999 at \$2,110,000.00 and we have paid \$185,000.00 towards the principal. We did not do any sewer or water rate increases this year.

We continue to pay our MEDC loan, which has been reduced from \$393,000.00 to \$100,694.07. This was accomplished by applying the job credit that resulted from the creation of 28 new jobs and having our prior interest paid applied to the loan balance. No further interest will be applied to this loan, our payments are now applied solely to the principal.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The General Fund pays for most of the Village's governmental services and incurred expenses of \$356,218.37. Major and Local Streets incurred expenses of \$77,484.86. The Water and Sewer Funds incurred \$138,226.73 in depreciation expense and \$238,662.69 in other expenses.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Village's governmental activities invested \$59,485.00 in capital assets.

The Village's business-type activities invested \$0 in capital assets.

The Village's governmental activities paid \$88,941.69 of principal on long-term debt.

The Village's business-type activities paid \$27,000.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

We currently have several streets in need of repair. Money has been set aside to repair the streets. The Water Fund has sufficient net assets, but expenditures are projected to exceed revenues in the next fiscal budget year. At some point, the Village may need to take action on this condition.

VILLAGE OF TEKONSHA
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended February 29, 2008

CONTACTING THE VILLAGE'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Village Clerk or the Village Treasurer at 517-767-4204.

VILLAGE OF TEKONSHA
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
February 29, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
CURRENT ASSETS:			
Petty cash	50 00	-	50 00
Cash in bank	112 560 47	180 752 43	293 312 90
Accounts receivable	-	54 098 45	54 098 45
Taxes receivable	17 850 98	-	17 850 98
Due from State of Michigan	25 988 23	-	25 988 23
Cash in bank – restricted	-	125 687 14	125 687 14
Total Current Assets	156 449 68	360 538 02	516 987 70
NONCURRENT ASSETS:			
Capital Assets	662 397 72	6 128 282 87	6 790 680 59
Less: Accumulated Depreciation	(165 503 73)	(1 959 550 85)	(2 125 054 58)
Total Noncurrent Assets	496 893 99	4 168 732 02	4 665 626 01
TOTAL ASSETS	653 343 67	4 529 270 04	5 182 613 71
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	4 592 04	2 705 76	7 297 80
Deposit payable	195 00	-	195 00
Internal balances	(12 102 88)	12 102 88	-
Total Current Liabilities	(7 315 84)	14 808 64	7 492 80
NONCURRENT LIABILITIES:			
Notes payable	127 794 07	-	127 794 07
Bonds payable	-	1 925 000 00	1 925 000 00
Total Noncurrent Liabilities	127 794 07	1 925 000 00	2 052 794 07
Total Liabilities	120 478 23	1 939 808 64	2 060 286 87
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	369 099 92	2 228 501 75	2 597 601 67
Restricted for debt service	-	125 687 14	125 687 14
Unrestricted	163 765 52	235 272 51	399 038 03
Total Net Assets	532 865 44	2 589 461 40	3 122 326 84
TOTAL LIABILITIES AND NET ASSETS	653 343 67	4 529 270 04	5 182 613 71

The accompanying notes are an integral part of these financial statements.

VILLAGE OF TEKONSHA
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended February 29, 2008

		<u>Program Revenue</u>	<u>Governmental Activities</u>
			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	14 736 39	-	(14 736 39)
General government	78 256 97	1 709 20	(76 547 77)
Public safety	66 523 05	60 204 91	(6 318 14)
Public works	183 323 65	-	(183 323 65)
Recreation and culture	10 894 56	-	(10 894 56)
Interest on long-term debt	6 210 34	-	(6 210 34)
Total Governmental Activities	<u>359 944 96</u>	<u>61 914 11</u>	<u>(298 030 85)</u>
Business Type Activities:			
Water and sewer	<u>376 889 42</u>	<u>280 827 30</u>	<u>-</u>
Total Business Type Activities	<u>376 889 42</u>	<u>280 827 30</u>	<u>-</u>
Total Government	<u><u>736 834 38</u></u>	<u><u>342 741 41</u></u>	<u><u>(298 030 85)</u></u>
General Revenues:			
Property taxes			164 438 66
State revenue sharing			150 453 69
Interest			2 085 02
Miscellaneous			<u>16 822 17</u>
Total General Revenues			<u>333 799 54</u>
Change in net assets			35 768 69
Net assets, beginning of year			<u>497 096 75</u>
Net Assets, End of Year			<u><u>532 865 44</u></u>

The accompanying notes are an integral part of these financial statements.

Business Type Activities	Total
Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
-	(14 736 39)
-	(76 547 77)
-	(6 318 14)
-	(183 323 65)
-	(10 894 56)
-	(6 210 34)
-	(298 030 85)
(96 062 12)	(96 062 12)
(96 062 12)	(96 062 12)
(96 062 12)	(394 092 97)
-	164 438 66
-	150 453 69
3 254 24	5 339 26
-	16 822 17
3 254 24	337 053 78
(92 807 88)	(57 039 19)
2 682 269 28	3 179 366 03
2 589 461 40	3 122 326 84

VILLAGE OF TEKONSHA
Calhoun County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
February 29, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Other Funds (Building)</u>
<u>Assets</u>				
Petty cash	50 00	-	-	-
Cash in bank	17 770 35	65 956 80	20 449 88	-
Taxes receivable	17 850 98	-	-	-
Due from State of Michigan	11 726 00	11 061 75	3 200 48	-
Due from other funds	<u>142 366 97</u>	<u>79 186 72</u>	<u>20 359 03</u>	<u>-</u>
Total Assets	<u><u>189 764 30</u></u>	<u><u>156 205 27</u></u>	<u><u>44 009 39</u></u>	<u><u>-</u></u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	4 137 55	219 86	196 57	-
Due to other funds	155 872 27	20 359 03	39 677 02	-
Deposit payable	<u>195 00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u><u>160 204 82</u></u>	<u><u>20 578 89</u></u>	<u><u>39 873 59</u></u>	<u><u>-</u></u>
Fund balances:				
Fund balances:				
Unreserved:				
Undesignated	<u>29 559 48</u>	<u>135 626 38</u>	<u>4 135 80</u>	<u>-</u>
Total fund balances	<u><u>29 559 48</u></u>	<u><u>135 626 38</u></u>	<u><u>4 135 80</u></u>	<u><u>-</u></u>
Total Liabilities and Fund Balances	<u><u>189 764 30</u></u>	<u><u>156 205 27</u></u>	<u><u>44 009 39</u></u>	<u><u>-</u></u>

The accompanying notes are an integral part of these financial statements.

Total

50 00
104 177 03
17 850 98
25 988 23
241 912 72

389 978 96

4 553 98
215 908 32
195 00
220 657 30

169 321 66
169 321 66

389 978 96

VILLAGE OF TEKONSHA
Calhoun County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

February 29, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	169 321 66
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	662 397 72
Accumulated depreciation	(165 503 73)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Notes payable	(127 794 07)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets \$56,275.54 net of capital assets of \$61,831.68 included above	<u>(5 556 14)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>532 865 44</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF TEKONSHA
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS

Year ended February 29, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Other Funds (Building)</u>
Revenues:				
Property taxes	164 438 66	-	-	-
Licenses and permits	2 880 00	-	-	-
State revenue sharing	71 053 18	61 582 67	17 817 84	-
Charges for services	39 754 26	-	-	247 65
Special assessments	-	-	-	-
Interest	612 04	1 220 79	252 19	-
Miscellaneous	16 170 65	325 76	325 76	-
Total revenues	<u>294 908 79</u>	<u>63 129 22</u>	<u>18 395 79</u>	<u>247 65</u>
Expenditures:				
Legislative:				
Village Council	14 736 39	-	-	-
General government:				
Accounting	18 322 12	-	-	-
Clerk	9 044 87	-	-	-
Treasurer	4 181 60	-	-	-
Building and grounds	40 629 99	-	-	-
Public safety:				
Fire protection	14 426 64	-	-	-
Police protection	47 482 00	-	-	-
Planning and zoning	1 908 38	-	-	2 706 03
Public works:				
Public works	59 099 26	-	-	-
Sidewalks	5 675 68	-	-	-
Drains	94 29	-	-	-
Routine maintenance	-	24 293 81	29 826 08	-
Winter maintenance	-	11 835 53	10 427 50	-
Traffic services	-	601 06	500 88	-
Forestry	8 325 98	-	-	-
Mosquito control	98 61	-	-	-
Street lighting	18 940 97	-	-	-
Culture and recreation:				
Parks	10 894 56	-	-	-
Capital outlay	7 205 00	-	-	-
Debt service	95 152 03	-	-	-
Total expenditures	<u>356 218 37</u>	<u>36 730 40</u>	<u>40 754 46</u>	<u>2 706 03</u>
Excess (deficiency) of revenues over expenditures	<u>(61 309 58)</u>	<u>26 398 82</u>	<u>(22 358 67)</u>	<u>(2 458 38)</u>

The accompanying notes are an integral part of these financial statements.

Total

164 438 66

2 880 00

150 453 69

40 001 91

-

2 085 02

16 822 17

376 681 45

14 736 39

18 322 12

9 044 87

4 181 60

40 629 99

14 426 64

47 482 00

4 614 41

59 099 26

5 675 68

94 29

54 119 89

22 263 03

1 101 94

8 325 98

98 61

18 940 97

10 894 56

7 205 00

95 152 03

436 409 26

(59 727 81)

VILLAGE OF TEKONSHA
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended February 29, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Other Funds (Building)</u>
Other financing sources (uses):				
Operating transfers in	1 000 00	-	5 000 00	2 348 75
Operating transfers out	<u>(2 348 75)</u>	<u>(6 000 00)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(1 348 75)</u>	<u>(6 000 00)</u>	<u>5 000 00</u>	<u>2 348 75</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(62 658 33)	20 398 82	(17 358 67)	(109 63)
Fund balances, March 1	<u>92 217 81</u>	<u>115 227 56</u>	<u>21 494 47</u>	<u>109 63</u>
Fund Balances, February 29	<u>29 559 48</u>	<u>135 626 38</u>	<u>4 135 80</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

Total

8 348 75

(8 348 75)

-

(59 727 81)

229 049 47

169 321 66

VILLAGE OF TEKONSHA
Calhoun County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended February 29, 2008

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (59 727 81)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(19 682 39)
Capital Outlay	59 485 00

Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	88 941 69
--------------------------------------	-----------

Internal service funds are used by management to charge the costs of equipment services to individual funds. Net revenue of the internal service fund is reported within governmental activities, net of depreciation expense of \$16,563.49, capital asset additions of \$52,280.00 and loan proceeds of \$27,100.00, included above

	(33 247 80)
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>35 768 69</u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF TEKONSHA
Calhoun County, Michigan

STATEMENT OF NET ASSETS – ALL PROPRIETARY FUNDS
February 29, 2008

	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise</u>	<u>Internal Service Equipment</u>
<u>Assets</u>				
Cash in bank	75 403 54	105 348 89	180 752 43	8 383 44
Accounts receivable	15 907 53	38 190 92	54 098 45	-
Due from other funds	100 099 05	-	100 099 05	31 634 41
Cash in bank – restricted	-	125 687 14	125 687 14	-
Capital assets	3 119 367 02	3 008 915 85	6 128 282 87	200 766 22
Accumulated depreciation	<u>(924 560 22)</u>	<u>(1 034 990 63)</u>	<u>(1 959 550 85)</u>	<u>(138 934 54)</u>
Total Assets	<u>2 386 216 92</u>	<u>2 243 152 17</u>	<u>4 629 369 09</u>	<u>101 849 53</u>
<u>Liabilities and Net Assets</u>				
Liabilities:				
Accounts payable	2 234 82	470 94	2 705 76	38 06
Due to other funds	2 828 01	109 373 92	112 201 93	45 535 93
Bonds payable	<u>-</u>	<u>1 925 000 00</u>	<u>1 925 000 00</u>	<u>-</u>
Total liabilities	<u>5 062 83</u>	<u>2 034 844 86</u>	<u>2 039 907 69</u>	<u>45 573 99</u>
Net assets:				
Invested in capital assets, net of related debt	2 194 806 80	33 694 95	2 228 501 75	61 831 68
Restricted	-	125 687 14	125 687 14	-
Unrestricted	<u>186 347 29</u>	<u>48 925 22</u>	<u>235 272 51</u>	<u>(5 556 14)</u>
Total net assets	<u>2 381 154 09</u>	<u>208 307 31</u>	<u>2 589 461 40</u>	<u>56 275 54</u>
Total Liabilities and Net Assets	<u>2 386 216 92</u>	<u>2 243 152 17</u>	<u>4 629 369 09</u>	<u>101 849 53</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF TEKONSHA
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – ALL PROPRIETARY FUNDS
Year ended February 29, 2008

	Water	Sewer	Total Enterprise	Internal Service Equipment
Operating revenues:				
Charges for services	86 641 72	187 108 17	273 749 89	49 756 20
Miscellaneous	<u>2 209 81</u>	<u>4 867 60</u>	<u>7 077 41</u>	<u>162 88</u>
Total operating revenues	<u>88 851 53</u>	<u>191 975 77</u>	<u>280 827 30</u>	<u>49 919 08</u>
Less operating expenses:				
Wages	21 099 67	29 399 00	50 498 67	1 761 82
Benefits	2 361 68	2 926 99	5 288 67	91 53
Supplies	6 092 96	4 249 76	10 342 72	15 436 26
Professional services	6 970 18	13 917 09	20 887 27	434 00
Insurance	5 101 40	5 101 40	10 202 80	3 333 08
Utilities	8 004 66	23 608 57	31 613 23	1 768 11
Equipment rental	7 450 42	14 702 42	22 152 84	-
Repairs and maintenance	14 533 25	9 041 84	23 575 09	7 528 48
Miscellaneous	<u>828 53</u>	<u>271 62</u>	<u>1 100 15</u>	<u>545 00</u>
Total operating expenses before depreciation	<u>72 442 75</u>	<u>103 218 69</u>	<u>175 661 44</u>	<u>30 898 28</u>
Operating income (loss) before depreciation	16 408 78	88 757 08	105 165 86	19 020 80
Less: depreciation	<u>(62 360 39)</u>	<u>(75 866 34)</u>	<u>(138 226 73)</u>	<u>(16 563 49)</u>
Operating income (loss)	<u>(45 951 61)</u>	<u>12 890 74</u>	<u>(33 060 87)</u>	<u>2 457 31</u>
Other income and (expense):				
Interest income	1 439 34	1 814 90	3 254 24	11 40
Interest expense	-	(63 001 25)	(63 001 25)	-
Loan proceeds	-	-	-	27 100 00
Net other income and (expense)	<u>1 439 34</u>	<u>(61 186 35)</u>	<u>(59 747 01)</u>	<u>27 111 40</u>
Net income (loss)	<u>(44 512 27)</u>	<u>(48 295 61)</u>	<u>(92 807 88)</u>	<u>29 568 71</u>
Net assets, March 1	<u>2 425 666 36</u>	<u>256 602 92</u>	<u>2 682 269 28</u>	<u>26 706 83</u>
Net Assets, February 29	<u><u>2 381 154 09</u></u>	<u><u>208 307 31</u></u>	<u><u>2 589 461 40</u></u>	<u><u>56 275 54</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF TEKONSHA
Calhoun County, Michigan

COMBINING STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUNDS
Year ended February 29, 2008

	Water	Sewer	Total Enterprise	Internal Service Equipment
Cash flows from operating activities:				
Cash received from customers	85 190 18	182 355 33	267 545 51	49 756 20
Cash payments to suppliers for goods and services	(51 071 35)	(73 917 66)	(124 989 01)	(29 179 75)
Cash payments to employees for services	(21 099 67)	(29 399 00)	(50 498 67)	(1 761 82)
Other operating revenues	2 209 81	4 867 60	7 077 41	162 88
Net cash provided (used) for operating activities	<u>15 228 97</u>	<u>83 906 27</u>	<u>99 135 24</u>	<u>18 977 51</u>
Cash flows from non-capital and related financing activities:				
Net borrowings (repayments) with other funds	(11 742 14)	30 317 34	18 575 20	8 736 60
Net cash provided (used) for non- capital and related financing activities	<u>(11 742 14)</u>	<u>30 317 34</u>	<u>18 575 20</u>	<u>8 736 60</u>
Cash flows from capital and related financing activities:				
Loan proceeds	-	-	-	27 100 00
Acquisition of fixed assets	-	-	-	(52 280 00)
Payments of principal on long-term debt	-	(27 000 00)	(27 000 00)	-
Payments of interest on long-term debt	-	(63 001 25)	(63 001 25)	-
Net cash provided (used) for capital and related financing activities	<u>-</u>	<u>(90 001 25)</u>	<u>(90 001 25)</u>	<u>(25 180 00)</u>
Cash flows from investing activities:				
Interest income	1 439 34	1 814 90	3 254 24	11 40
Net cash provided (used) for investing activities	<u>1 439 34</u>	<u>1 814 90</u>	<u>3 254 24</u>	<u>11 40</u>
Net increase (decrease) in cash and cash equivalents	4 926 17	26 037 26	30 963 43	2 545 51
Cash and cash equivalents, March 1	<u>70 477 37</u>	<u>204 998 77</u>	<u>275 476 14</u>	<u>5 837 93</u>
Cash and Cash Equivalents, February 29	<u><u>75 403 54</u></u>	<u><u>231 036 03</u></u>	<u><u>306 439 57</u></u>	<u><u>8 383 44</u></u>
Reconciliation of operating income to net cash provided (used) for operating activities:				
Operating income (loss)	(45 951 61)	12 890 74	(33 060 87)	2 457 31
Depreciation	62 360 39	75 866 34	138 226 73	16 563 49
Increase (decrease) in assets and liabilities:				
Accounts receivable	(1 451 54)	(4 752 84)	(6 204 38)	-
Accounts payable	271 73	(97 97)	173 76	(43 29)
Net Cash Provided (Used) for Operating Activities	<u><u>15 228 97</u></u>	<u><u>83 906 27</u></u>	<u><u>99 135 24</u></u>	<u><u>18 977 51</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF TEKONSHA
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of Tekonsha, Calhoun County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Tekonsha. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF TEKONSHA
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on August 31. The Village 2007 tax roll millage rate was 11.000 mills, and the taxable value was \$18,388,572.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

VILLAGE OF TEKONSHA
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Village as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	40 years
Furniture and equipment	5-7 years

Compensated Absences (Vacation and Sick Leave)

Village employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Village provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

VILLAGE OF TEKONSHA
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated two financial institutions for the deposit of Village funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>419,000.04</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	216,420.22
Uninsured and Uncollateralized	<u>208,248.57</u>
Total Deposits	<u>424,668.79</u>

The Village did not have any investments as of February 29, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Village manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Village contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

VILLAGE OF TEKONSHA
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Village's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Village's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Local Street	<u>20 359 03</u>	Major Street	<u>20 359 03</u>
Major Street	<u>79 186 72</u>	General	<u>79 186 72</u>
General	142 366 97	Sewer	85 960 42
		Local Street	10 870 62
		Equipment	<u>45 535 93</u>
	<u>142 366 97</u>		<u>142 366 97</u>
Equipment	31 634 41	Local Street	28 806 40
	<u>31 634 41</u>	Water	<u>2 828 01</u>
			<u>31 634 41</u>
Water	100 099 05	General	76 685 55
	<u>100 099 05</u>	Sewer	<u>23 413 50</u>
			<u>100 099 05</u>
Total	<u>373 646 18</u>	Total	<u>373 646 18</u>

VILLAGE OF TEKONSHA
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2008

Note 5 – Capital Assets

Capital asset activity of the Village's Governmental and Business-Type activities for the current year was as follows:

	Balance 3/1/07	Additions	Deletions	Balance 2/29/08
<u>Governmental Activities:</u>				
Land	287 918 24	-	-	287 918 24
Buildings	180 000 00	-	-	180 000 00
Equipment	140 494 48	59 485 00	(5 500 00)	194 479 48
Total	608 412 72	59 485 00	(5 500 00)	662 397 72
Accumulated Depreciation	(151 321 34)	(19 682 39)	5 500 00	(165 503 73)
Net Governmental Capital Assets	457 091 38	39 802 61	-	496 893 99
<u>Business Type Activities:</u>				
Water and Sewer Systems	6 128 282 87	-	-	6 128 282 87
Accumulated Depreciation	(1 821 324 12)	(138 226 73)	-	(1 959 550 85)
Net Business Type Capital Assets	4 306 958 75	(138 226 73)	-	4 168 732 02

Note 6 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 3/1/07	Additions	Deductions	Balance 2/29/08
Note payable – backhoe	-	27 100 00	-	27 100 00
Note payable – fire truck	74 024 05	-	74 024 05	-
Note payable – industrial park	115 611 71	-	14 917 64	100 694 07
Sewer bonds payable	1 952 000 00	-	27 000 00	1 925 000 00
Total	2 141 635 76	27 100 00	115 941 69	2 052 794 07

Note 7 – Note Payable – Backhoe

On November 8, 2007, the Village entered into a financing agreement to fund the purchase of a John Deere backhoe. The agreement requires annual payments of \$6,234.02 including interest at the rate of 4.75% per annum. As of February 29, 2008, the principal balance outstanding was \$27,100.00.

VILLAGE OF TEKONSHA
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2008

Note 8 – Note Payable – Fire Truck

On August 5, 1999, the Village entered into a financing agreement to fund the purchase of a 1999 Chevrolet fire truck. The agreement requires fifteen annual payments in the amount of \$12,420.67, including interest at the rate of 7.05% per annum. The Township of Tekonsha has agreed to pay fifty percent of each payment. During the fiscal year ended February 29, 2008, the principal balance was paid in full.

Note 9 – Note Payable – Industrial Park

On May 9, 2000, the Village obtained a \$393,000.00 loan from the Michigan Economic Development Corporation to partially fund the construction of an industrial park. The agreement requires quarterly payments of principal only in the amount of \$3,729.41 beginning May 1, 2003. The Village earned credits of \$10,000.00 for each qualifying net new job created and added to the existing job base. As of February 29, 2008, the principal balance outstanding was \$100,694.07.

Note 10 – 1999 Sanitary Sewerage System Revenue Bonds

On October 26, 1999, the Village issued \$2,110,000.00 of 1999 Sanitary Sewerage System Revenue Bonds. The bonds were purchased by the United States Department of Agriculture. The bond proceeds were used to partially pay for improvements to the Village's wastewater treatment lagoons. The bonds bear interest at the rate of 3.25% per annum. The bond principal and interest are to be repaid from the revenues of the Sewer Fund. The Village is required to maintain a Bond and Interest Redemption Account with amounts sufficient to make the required principal and interest payments. The Village is also required to maintain a Bond Reserve Account with \$2,875.00 per fiscal quarter, until \$115,000.00 is accumulated. The bond proceeds are recorded as a liability in the Sewer Fund. The principal balance outstanding as of February 29, 2008, was \$1,925,000.00.

<u>Due Date</u>	<u>Principal Amount</u>
5/1/08	28 000 00
5/1/09	29 000 00
5/1/10	31 000 00
5/1/11	32 000 00
5/1/12	33 000 00
5/1/13	35 000 00
5/1/14	36 000 00
5/1/15	38 000 00
5/1/16	40 000 00
5/1/17	42 000 00
5/1/18	43 000 00
5/1/19	46 000 00
5/1/20	47 000 00
5/1/21	50 000 00
5/1/22	52 000 00
5/1/23	54 000 00
5/1/24	57 000 00
5/1/25	59 000 00
5/1/26	62 000 00
5/1/27	65 000 00
5/1/28	67 000 00
5/1/29	71 000 00
5/1/30	74 000 00

VILLAGE OF TEKONSHA
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2008

Note 10 – 1999 Sanitary Sewerage System Revenue Bonds (continued)

<u>Due Date</u>	<u>Principal Amount</u>
5/1/31	77 000 00
5/1/32	81 000 00
5/1/33	84 000 00
5/1/34	88 000 00
5/1/35	92 000 00
5/1/36	96 000 00
5/1/37	101 000 00
5/1/38	105 000 00
5/1/39	<u>110 000 00</u>
Total	<u>1 925 000 00</u>

Note 11 – Deferred Compensation Plan

The Village offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

Note 12 – Pension Plan

The Village has a defined contribution pension plan which covers all full-time employees. Pension expense for the year ended February 29, 2008, was \$1,440.00.

Note 13 – Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 14 – Segment Information for Enterprise Funds

	<u>Water Fund</u>	<u>Sewer Fund</u>
Net fixed assets	2 194 806 80	1 973 925 22
Net assets	2 381 154 09	208 307 31
Operating revenues	88 851 53	191 975 77
Operating income (loss)	(45 951 61)	12 890 74
Net income (loss)	(44 512 27)	(48 295 61)
Total assets	2 386 216 92	2 243 152 17
Total liabilities	5 062 83	2 034 844 86

VILLAGE OF TEKONSHA
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2008

Note 15 – Transfers In and Transfers Out

For the fiscal year ended February 29, 2008, the Village made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Building	2 348 75	General	2 348 75
General	1 000 00	Major Street	1 000 00
Local Street	<u>5 000 00</u>	Major Street	<u>5 000 00</u>
Total	<u>8 348 75</u>	Total	<u>8 348 75</u>

Note 16 – Building Permits

As of February 29, 2008, the Village had building permit revenues of \$247.65 and building permit expenses of \$2,706.03.

Note 17 – Budget Variances

For the fiscal year ended February 29, 2008, Village expenditures exceeded the budgeted amounts in the following activities:

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variances</u>
General Fund Activity:			
Village Council	9 830 00	14 736 39	4 906 39
Building and grounds	39 795 00	40 629 99	834 99
Debt service	15 000 00	95 152 03	80 152 03
Fire protection	14 000 00	14 426 64	426 64
Public works	57 780 00	59 099 26	1 319 26
Drains	-	94 29	94 29

VILLAGE OF TEKONSHA
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended February 29, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	150 070 00	160 140 00	164 438 66	4 298 66
Licenses and permits	40 00	40 00	2 880 00	2 840 00
State revenue sharing	69 000 00	69 000 00	71 053 18	2 053 18
Charges for services	150 00	150 00	39 754 26	39 604 26
Special assessments	5 000 00	5 000 00	-	(5 000 00)
Interest	50 00	50 00	612 04	562 04
Miscellaneous	28 500 00	28 500 00	16 170 65	(12 329 35)
Total revenues	252 810 00	262 880 00	294 908 79	32 028 79
Expenditures:				
Legislative:				
Village Council	11 070 00	9 830 00	14 736 39	4 906 39
General government:				
Accounting	15 150 00	18 325 00	18 322 12	(2 88)
Clerk	15 550 00	9 050 00	9 044 87	(5 13)
Treasurer	7 700 00	4 185 00	4 181 60	(3 40)
Building and grounds	28 030 00	39 795 00	40 629 99	834 99
Public safety:				
Fire protection	28 750 00	14 000 00	14 426 64	426 64
Police protection	38 000 00	47 825 00	47 482 00	(343 00)
Planning and zoning	1 100 00	1 910 00	1 908 38	(1 62)
Public works:				
Public works	36 780 00	57 780 00	59 099 26	1 319 26
Sidewalks	10 000 00	5 680 00	5 675 68	(4 32)
Drains	-	-	94 29	94 29
Forestry	5 600 00	8 330 00	8 325 98	(4 02)
Mosquito control	500 00	100 00	98 61	(1 39)
Street lighting	17 000 00	18 950 00	18 940 97	(9 03)
Culture and recreation:				
Parks	11 950 00	10 895 00	10 894 56	(44)
Capital outlay	1 000 00	8 000 00	7 205 00	(795 00)
Debt service	15 000 00	15 000 00	95 152 03	80 152 03
Total expenditures	243 180 00	269 655 00	356 218 37	86 563 37
Excess (deficiency) of revenues over expenditures	9 630 00	(6 775 00)	(61 309 58)	(54 534 58)
Other financing sources (uses):				
Operating transfers in	1 000 00	1 000 00	1 000 00	-
Operating transfers out	-	-	(2 348 75)	(2 348 75)
Total other financing sources (uses)	1 000 00	1 000 00	(1 348 75)	(2 348 75)
Excess (deficiency) of revenues and other sources over expenditures and other uses	10 630 00	(5 775 00)	(62 658 33)	(56 883 33)
Fund balance, March 1	-	5 775 00	92 217 81	86 442 81
Fund Balance, February 29	10 630 00	-	29 559 48	29 559 48

VILLAGE OF TEKONSHA
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND
Year ended February 29, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
State revenue sharing	57 000 00	57 000 00	61 582 67	4 582 67
Interest	100 00	100 00	1 220 79	1 120 79
Miscellaneous	-	-	325 76	325 76
Total revenues	<u>57 100 00</u>	<u>57 100 00</u>	<u>63 129 22</u>	<u>6 029 22</u>
Expenditures:				
Public works:				
Routine maintenance	71 860 00	67 860 00	24 293 81	(43 566 19)
Winter maintenance	12 830 00	16 830 00	11 835 53	(4 994 47)
Traffic services	<u>1 600 00</u>	<u>1 600 00</u>	<u>601 06</u>	<u>(998 94)</u>
Total expenditures	<u>86 290 00</u>	<u>86 290 00</u>	<u>36 730 40</u>	<u>(49 559 60)</u>
Excess (deficiency) of revenues over expenditures	<u>(29 190 00)</u>	<u>(29 190 00)</u>	<u>26 398 82</u>	<u>55 588 82</u>
Other financing sources (uses):				
Operating transfers out	<u>(6 000 00)</u>	<u>(6 000 00)</u>	<u>(6 000 00)</u>	<u>-</u>
Total other financing sources (uses)	<u>(6 000 00)</u>	<u>(6 000 00)</u>	<u>(6 000 00)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(35 190 00)</u>	<u>(35 190 00)</u>	<u>20 398 82</u>	<u>55 588 82</u>
Fund balance, March 1	<u>35 190 00</u>	<u>35 190 00</u>	<u>115 227 56</u>	<u>80 037 56</u>
Fund Balance, February 29	<u>-</u>	<u>-</u>	<u>135 626 38</u>	<u>135 626 38</u>

VILLAGE OF TEKONSHA
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND
Year ended February 29, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
State revenue sharing	23 800 00	23 800 00	17 817 84	(5 982 16)
Interest	50 00	50 00	252 19	202 19
Miscellaneous	-	-	325 76	325 76
Total revenues	<u>23 850 00</u>	<u>23 850 00</u>	<u>18 395 79</u>	<u>(5 454 21)</u>
Expenditures:				
Public works:				
Routine maintenance	29 230 00	29 000 00	28 578 90	(421 10)
Winter maintenance	6 600 00	10 705 00	10 427 50	(277 50)
Traffic services	<u>600 00</u>	<u>505 00</u>	<u>500 88</u>	<u>(4 12)</u>
Total expenditures	<u>36 430 00</u>	<u>40 210 00</u>	<u>39 507 28</u>	<u>(702 72)</u>
Excess (deficiency) of revenues over expenditures	<u>(12 580 00)</u>	<u>(16 360 00)</u>	<u>(21 111 49)</u>	<u>(4 751 49)</u>
Other financing sources (uses):				
Operating transfers in	<u>5 000 00</u>	<u>5 000 00</u>	<u>5 000 00</u>	<u>-</u>
Total other financing sources (uses)	<u>5 000 00</u>	<u>5 000 00</u>	<u>5 000 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(7 580 00)</u>	<u>(11 360 00)</u>	<u>(16 111 49)</u>	<u>(4 751 49)</u>
Fund balance, March 1	<u>7 580 00</u>	<u>11 360 00</u>	<u>21 494 47</u>	<u>10 134 47</u>
Fund Balance, February 29	<u>-</u>	<u>-</u>	<u>5 382 98</u>	<u>5 382 98</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

May 5, 2008

To the Village Council
Village of Tekonsha
Calhoun County, Michigan

We have audited the financial statements of the Village of Tekonsha, Calhoun County, Michigan, as of and for the year ended February 29, 2008, and have issued our report thereon dated May 5, 2008. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Village of Tekonsha's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Village of Tekonsha's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our study and evaluation disclosed the following condition that we believe to be a material weakness for which management believes corrective action is not practicable in the circumstances. Within the present plan of organization of the Village there is an inadequate control over cash transactions caused by an inadequate segregation of duties which is due to the limited number of office personnel employed. Such study and evaluation disclosed no conditions that we believe to be material weaknesses for which corrective action by management is practicable in the circumstances.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 5, 2008

To the Village Council
Village of Tekonsha
Calhoun County, Michigan

We have audited the financial statements of the Village of Tekonsha for the year ended February 29, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Village of Tekonsha in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Village Council
Village of Tekonsha
Calhoun County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Village's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Village cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Village Council Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated February 29, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants